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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 24 2009

DOCKETED BY

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IN THE MATTER OF ARIZONA PUBLIC)  
SERVICE COMPANY'S APPLICATION)  
FOR APPROVAL OF A NET METERING)  
RATE SCHEDULE EPR-6 )  
)  
)

DOCKET NO. E-01345A-09-0012

DECISION NO. 71182

ORDER

Open Meeting  
June 23 and 24, 2009  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On January 12, 2009, APS filed an application for approval of its Net Metering rate Schedule ("EPR-6").

3. Commission Decision No. 70567 (October 23, 2008), approved Proposed Rulemaking Regarding Net Metering ("Rules"). The Rules, after certification by the Arizona Attorney General, became effective on May 23, 2009 and require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

4. For this tariff filing, APS has waived the 30-day time provisions referenced in A.R.S. Section 40-367 and 40-250, (B).

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1 **II. The APS Tariff**

2         5.       APS has a net metering tariff similar to its proposed EPR-6, that is, its EPR-5.  
3 EPR-5 was approved June 28, 2007, by Commission Decision No. 69663, and it is a three-year  
4 pilot program for customers with 100 kW or less of on-site renewable generation. APS proposes  
5 that EPR-5 remain available until its expiration in June of 2010, at which time the EPR-6 will be  
6 the only tariff available for net metering customers.

7         6.       Net Metering allows electric utility consumers to be compensated for generating  
8 their own energy using renewable resources, fuel cells, or Combined Heat and Power (i.e., co-  
9 generation).

10        7.       Customers with this generation capability would participate in the Net Metering  
11 program and have two-way meters installed that will measure both the electricity delivered to the  
12 customer, as well as the energy going back to the grid. Customers would therefore be credited for  
13 any excess energy generated and sent back to the utility. According to the Rules, once each  
14 calendar year, the utility company will issue a check or billing credit for the balance of any energy  
15 generated in excess of the customer's usage. Such excess energy is paid at the Utility's avoided  
16 cost rates which are specified in the tariff.

17        8.       The EPR-6 net metering tariff would include partial requirements service which is  
18 necessary for customers who provide either all or part of their own generation. If the self  
19 generation supplies less than 100 percent of the customer's load, utility generation must be  
20 purchased for the remainder. Even if the customer's generation is sufficient to serve the full load,  
21 utility service is needed during maintenance or other outage circumstances of the customer's  
22 generation. The Company would bill the customer for net kWh supplied in accordance with the  
23 applicable standard retail rate schedule.

24        9.       Some self-generating customers may not qualify for net metering yet would still  
25 require partial requirements service. APS has other partial requirements tariffs such as its EPR-2,  
26 E-56, and SC-S that would be suitable for these customers. However, as noted below, APS has  
27 stated that SC-S will no longer be required.

28 . . .

10. The proposed EPR-6 tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

11. Staff takes issue with the language of APS' proposed EPR-6 rate schedule in two places.

First Tariff Language Issue

12. Future Recovery of Certain Net Metering Costs -- APS has included the following in its proposed tariff:

In accordance with A.C.C. Decision No. 69663, the Company shall defer a portion of its "uncollected fixed costs" associated with the three year pilot net metering program and seek their recovery in the Company's next general rate case. The uncollected fixed costs will be based on the difference between the applicable standard retail rate and the Company's avoided cost and applied to the excess generation provided in accordance with this rate schedule.

13. Staff notes that, as APS has stated, Decision No. 69663 applies to the three-year pilot program associated with APS' net metering rate schedule EPR-5. The Commission's Decision with respect to that tariff has no bearing on the proposed EPR-6 tariff. Staff recommends that the language be removed from the proposed EPR-6 tariff.

Second Tariff Language Issue

14. The Metering section of the proposed tariff reads:

Customers served under this rate schedule will require a bi-directional meter that will register and accumulate the net electrical requirements of the customer. For customers with a Net Metering Facility greater than 100kW, the Company will also install a meter at the customer's Net Metering Facility.

For Customers using Renewable Resources, renewable combined heat and power or a fuel cell using a renewable fuel, the initial incremental metering costs for bi-directional metering and the facility meter will be incurred by the Company and be recovered through Renewable Energy Standard (RES) funding.

For other customers qualifying for service under this rate schedule the incremental metering costs for bi-directional metering and the facility meter will be incurred by the Customer.

1        15.     Stating the customer qualifications in the metering section appears to be  
2 unnecessary, since it is simply a repetition of the definition of a Net Metering Facility as shown in  
3 both the proposed APS tariff and in the Rules. Also, the 100 kW limit does not correspond to  
4 anything in the Rules but appears to be a holdover from the EPR-5 tariff.

5        16.     Therefore, much of the language shown in the Metering section should be deleted.  
6 Staff recommends the Metering section of the proposed tariff be replaced with:

7                Customers served under this rate schedule will require a bi-directional meter  
8 that will register and accumulate the net electrical requirements of the  
9 customer. The Company will install such a meter at the customer's Net  
10 Metering Facility if proper metering is not already present. The initial  
11 incremental metering costs for bi-directional metering and the facility meter  
12 will be incurred by the Company. A bidirectional meter may not be  
13 required if the generating capacity of the Net Metering Facility is less than  
10 percent of the customer's lowest billing demand over the previous 12  
months, or as otherwise determined by the Company through available  
information; and if the customer agrees that they do not intend to net any  
Excess Generation on their monthly bill.

### 14 **III. Other Parties' Comments**

15        17.     The Solar Alliance has expressed concern that certain customers may remain  
16 subject to the terms of the SC-S partial requirements tariff which is less favorable to customers  
17 than the proposed EPR-6. Staff notes that APS has indicated in its filing of its Distributed  
18 Generation Study<sup>1</sup> (January 29, 2009) that Schedules SC-S and E-57 would no longer be required.  
19 The Company intends to petition the Commission to cancel Schedule SC-S and to discontinue any  
20 further consideration of Schedule E-57. The Commission believes it is important to allow the  
21 immediate transition of all customers currently using the SC-S partial requirements tariff who  
22 would benefit from the new EPR-6 tariff to EPR-6 as quickly as possible. Therefore, we will  
23 require the Company to allow the immediate transition of customers subscribing to Schedule SC-S  
24 to the new EPR-6 tariff within 30 days of the effective date of this Order. Any further  
25 consideration of Schedule E-57 is not necessary and will be discontinued.

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28 <sup>1</sup>Docket Nos. E-01345A-05-0816, 0826, and 0827

1 **IV. Staff Recommendations**

2       18. Staff recommends that APS' Net Metering Tariff EPR-6 be approved by the  
3 Commission as amended herein.

4       19. Staff recommends that APS be ordered to file, within 30 days from the effective  
5 date of the Commission Decision, a revised EPR-6 tariff including the amended language shown  
6 herein.

7 **CONCLUSIONS OF LAW**

8       1. Arizona Public Service Company is an Arizona public service corporation within  
9 the meaning of Article XV, Section 2, of the Arizona Constitution.

10       2. The Commission has jurisdiction over APS and over the subject matter of the  
11 application.

12       3. The Commission, having reviewed the application and Staff's Memorandum dated  
13 June 11, 2009, concludes that it is in the public interest to approve Schedule EPR-6, as discussed  
14 herein.

15 **ORDER**

16 IT IS THEREFORE ORDERED that the Arizona Public Service Company Net Metering  
17 Tariff EPR-6 be and hereby is approved as discussed herein.

18 IT IS FURTHER ORDERED that Arizona Public Service Company should file a revised  
19 tariff consistent with this Decision within 30 days of the effective date of this Decision.

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1 IT IS FURTHER ORDERED that Arizona Public Service Company shall allow the  
2 immediate transition of customers subscribing to Schedule SC-S to the new EPR-6 tariff within 30  
3 days of the effective date of this Order. Any further consideration of Schedule E-57 is not  
4 necessary and will be discontinued.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7   
8 CHAIRMAN

  
COMMISSIONER

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11 COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, Michael P. Kearns, Interim  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this 30th day of JUNE, 2009.

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MICHAEL P. KEARNS  
INTERIM EXECUTIVE DIRECTOR

19 DISSENT: \_\_\_\_\_

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21 DISSENT: \_\_\_\_\_

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